

ITG News



Keeping First Nations Informed

July 2008

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Message from the Director

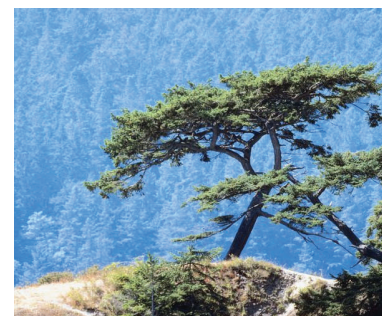
As we begin the final quarter of the federal government's 2008 fiscal year, our office is undertaking our annual Customer Satisfaction Survey. This will be our sixth year for the survey, which is a valuable tool that helps us better understand the federal tax administration needs of Indian tribal governments.

I want to take this opportunity to communicate how strongly I feel about the survey and how important the results are in the formulation of future activities. In each of the prior 5 years, we have convened a team to analyze the feedback. We have developed specific actions to address the concerns raised, and we have reinforced existing actions where the respondents indicated a high level of satisfaction. While we always seek opportunities for improvement, we also recognize that we need to maintain those areas that appear to be working well.

We have posted the results of the survey to the ITG web site at www.irs.gov/tribes each year, and we have used ITG News as the mechanism to share the changes we have implemented based on survey feedback. One of the major issues surfaced last year was a need for improved federal tax information for tribal members. While their tax issues are the purview of other IRS operating divisions, we are taking specific steps to assist in this area including the creation and issuance of a primer on Individual Indian Issues which was sent to each tribe via CD-Rom. We also distributed flyers, envelope stuffers, posters, and Public Service Announcements on the Economic Stimulus payments. We are currently working to get improved information on tribal member tax issues to the VITA sites that service tribal areas.

The 2008 Customer Satisfaction Survey is currently in the mail to each tribe. I urge you to complete it and return it in the postpaid envelope as soon as possible. All responses are anonymous unless you choose to identify yourself, but your feedback is invaluable to us. As always, we will publish a summary of the results as well as a listing of activities we will undertake to further improve our performance. I want to thank everyone in advance for their participation in this vital process.

Christie Jacobs



*....your feedback is
invaluable to us.....*

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Federal Tax Calendar for Third Quarter 2008

July 2008

Sun	Mon	Tue	Wed	Thu	Fri	Sat
		1 <i>File Form 11-C for the annual Occupational tax</i>	2 * make a deposit for 6/25-6/27	3	4	5
6	7 * make a deposit for 6/28-7/1	8	9 * make a deposit for 7/2-7/4	10 Employees report June tip income to employers if \$20 or more	11 * make a deposit for 7/5-7/8	12
13	14	15 ** make a deposit for June if under the monthly deposit rule	16 * make a deposit for 7/9-7/11	17	18 * make a deposit for 7/12-7/15	19
20	21	22	23 * make a deposit for 7/16-7/18	24	25 * make a deposit for 7/19-7/22	26
27	28	29	30 * make a deposit for 7/23-7/25	<i>File Form 730 for wagers received during June</i> <i>File Form 941 the 2nd calendar quarter of 2008</i>		

August 2008

Sun	Mon	Tue	Wed	Thu	Fri	Sat
					1 * make a deposit for 7/26-7/29	2
3	4	5	6 * make a deposit for 7/30-8/1	7	8 * make a deposit for 8/2-8/5	9
10	11 Employees report July tip income to employers if \$20 or more	12	13 * make a deposit for 8/6-8/8	14	15 * make a deposit for 8/9-8/12 ** make a deposit for July if under the monthly deposit rule	16
17	18	19	20 * make a deposit for 8/13-8/15	21	22 * make a deposit for 8/16-8/19	23
24	25	26	27 * make a deposit for 8/20-8/22	28	29 * make a deposit for 8/23-8/26	30
31						

* = Make a Payroll Deposit if you are under the semi-weekly deposit rule.

**= Make a Monthly Deposit if you qualify under that rule.

2

NOTE: Deposits made through EFTPS must be initiated at least one day prior to the due dates listed above in order to be timely.



September 2008

Sun	Mon	Tue	Wed	Thu	Fri	Sat
	1	2 <i>File Form 730 for wagers received during July</i>		4 * make a deposit for 8/27-8/29	5 * make a deposit for 8/30-9/2	6
7	8	9	10 * make a deposit for 9/3-9/5 * Employees report August tip income to employers if \$20 or more	11	12 * make a deposit for 9/6-9/9	13
14	15 ** make a deposit for August if under the monthly deposit rule	16	17 * make a deposit for 9/10-9/12	18	19 * make a deposit for 9/13-9/16	20
21	22	23	24 * make a deposit for 9/17-9/19	25	26 * make a deposit for 9/20-9/23	27
28	29	30 <i>File Form 730 for wagers received during August</i>				

* = Make a Payroll Deposit if you are under the semi-weekly deposit rule.

**= Make a Monthly Deposit if you qualify under that rule.

NOTE: Deposits made through EFTPS must be initiated at least one day prior to the due dates listed above in order to be timely.

Return Filing Dates

July 1st

- > File Form 11-C to register and pay the annual tax if you are in the business of taking wagers.

July 31st

- > File Form 941 for the 2nd quarter of 2008. If all deposits paid on time and in full, file by August 11th.
- > File Form 730 and pay the tax on applicable wagers accepted during June.

September 2nd

- > File Form 730 and pay the tax on applicable wagers accepted during July.

September 30th

- > File Form 730 and pay the tax on applicable wagers accepted during August.



Consultation Procedures

As most everyone is aware, federal agencies are required to consult with tribes on issues that primarily affect them. In order to ensure that the IRS is in conformance with this requirement, we have developed procedures that spell out how we will implement the requirement. This was done with substantial input of tribal representatives, and has a two-pronged approach.

First, we have open “listening meetings” four times per year, on a rotating basis throughout each of the regions of the Bureau of Indian Affairs. These meetings are advertised via ITG News, as the headline on the ITG Internet page at www.irs.gov/tribes, and via a direct mailing to each tribal leader in the area where a meeting is scheduled. These meetings represent an opportunity for the IRS to share information on current and pending events, but more importantly are a venue for tribes to raise their questions, concerns, and suggestions. Our next scheduled meeting is planned for Billings, Montana on August 14th between 1:00 and 4:00pm.

The second component of our Consultation procedures involves the opportunity for tribes to request ad hoc discussions with the IRS on any specific issue that they wish to raise. This can be done via a telephone call to ITG Director Christie Jacobs at 202-283-9800, or via an e-mail link on the Consultation web page at www.irs.gov/tribes.

To date, we have met with over 250 tribal representatives through these procedures, and the feedback has been invaluable. Please watch future editions of ITG News, as well as the ITG web site, for information on future meetings.

Previous Editions of the ITG Newsletter Available

That's right—you can access all previous editions of the Pacific Northwest Edition of the ITG Newsletter, as well as editions from around the country by going to www.irs.gov/tribes. If you have an idea for a topic you'd like to see in the newsletter, or if you'd like to be added to our email newsletter mailing list, contact Melodie Gren by email at melodie.f.gren@irs.gov or by phone at 509-353-0824.

Self-Assess Your Federal Tax Compliance Risks

Tribal entities can now self-assess their federal tax compliance and work with ITG to address any problems they uncover. Entities electing to participate receive a fillable template from ITG and are provided with the name of a local ITG Specialist who will serve as their resource during the process.

Information on the program, as well as an on-line request form, are available through the “Self Assess Tribal Tax Compliance” link on the right-hand side of the ITG web site landing page at www.irs.gov/tribes, or you can make an inquiry about the program via e-mail to tege.itg.tefac@irs.gov.



Deterring Theft of Tribal Funds

As tribal economies continue to evolve and expand, many tribes are involved in multi-million dollar projects. These projects are very diverse and range from construction of new gaming facilities, to formation of manufacturing entities, to development of wind energy farms. As we visit tribal homelands, it is always encouraging to see development and listen to the hope it brings to tribal members.

At the same time, these economic projects bring great risk to the tribe as well. All ventures carry the inherent risk that the return on the investment may not be as high as projected, or that external factors may adversely affect the marketplace after the development is completed. Of equal importance is the risk to tribal finances that can occur during the project development process, or through contracting for operation of the development once it is functioning.

We recently completed action on a case where several individuals diverted loan proceeds which the tribe had borrowed to aid in a casino development project. Since the overall project required the tribe to borrow in excess of \$10 million, the \$300,000 diverted by these individuals was not immediately noticed. The three perpetrators used the money for personal purposes while the tribe repaid the debt as part of its overall loan obligation without realizing that they had lost the use of the money.

When adequate internal controls are lacking, it becomes too easy for an unscrupulous individual to divert tribal funds for an unintended use. The scheme can be covered up through mechanisms such as false invoicing – billing for services never performed, ghost employees – payroll checks to fictitious individuals, or petty cash fund payments for goods never actually acquired. There are any number of ways someone can cover their tracks by creating false records which appear credible at first glance.

In the end, the lack of adequate internal controls always costs a tribe money, and funds that should be used for programs for tribal members end up personally benefiting someone who has found a loophole in the system.

How do you prevent this? First, tribes need to ensure that they have in-depth internal controls so that no one individual controls both the receipt and expenditure of money. Second, annual audits are essential both to identify problems and to ensure potential perpetrators are aware that records will be reviewed. Last, when you uncover misuse of tribal funds for someone's personal gain, contact ITG so that we can pursue the tax consequences to the individual.

Deterring individuals from attempting to personally gain at the expense of the tribe starts with having procedures in place to increase the likelihood they may be caught and ends with a commitment that the tribe will do whatever it can to ensure the perpetrator pays for their illicit gain.

Reporting Abuses/Schemes

We continue to work with tribes and tribal officials to address financial abuses and schemes being promoted in Indian country. Working together can help ensure the integrity of tribal finances and eliminate the threats posed by individuals with schemes that appear "too good to be true" and often are.

If you are aware of financial impropriety or of a promoter advocating a scheme that appears highly suspect, you can contact the ITG Abuse Detection and Prevention Team at (716) 686-4860 or via e-mail at tege.itg.schemes@irs.gov



FinCEN Releases Revised Currency Transaction Report - Casino (FinCEN Form 103) and BSA E-File Electronic Filing Specifications

FinCEN has announced the release of a revised CTRC (FinCEN Form 103) and BSA E-File Electronic filing specifications to be effective August 2008. The documents must not be used for filing until September 1, 2008.

FinCEN Form 103 questions may be directed to the FinCEN Regulatory Helpline at 1-800-949-2732, or for BSA E-Filing, the E-File Helpline at 1-888-827-2778).

Have You Been to www.irs.gov/tribes?

The IRS Office of Indian Tribal Governments has a web page with information specifically addressing the needs and issues that face Indian Tribal Governments. It is designed to be user-friendly and to answer your questions and assist you in meeting your federal reporting and tax obligations.

So, what is on the website and why should you visit?

On the left side of the home page, there are links that give information about ITG. There are also links for a "tax kit" and "educational products." The "tax kit" contains many useful forms for tribal employers and casinos. The "educational products" includes further links that take you to links for useful IRS publications and a very helpful CD-ROM called "Tax Tools For Tribes," which you can order by email.

At the top of the main page area is a section devoted to providing information that is current to Indian Tribal Governments. As of the date of this "printing," there was a link to an announcement concerning the IRS accepting applications for Low Income Taxpayer Clinic grants. Visit now to see if it's still there or if there is a different item!

Below the announcements are links that take you to information about topics important in Indian Country, such as Employment Taxes, Recent Developments, Casino Issues, Frequently Asked Questions, Information Reporting, ITG Newsletters (the editor's personal favorite ☺), ITG Published Guidance, Fraud and Abusive Schemes, and our Self Assess Tribal Tax Compliance section.

Scrolling below the links listed above are links to other relevant topics, such as, Tax Status of Tribes, Natural Resources, Excise Taxes, Tax Exempt Bonds, Tax Information for Charities and Other Non-Profits—ITG, and About ITG.

If you haven't had a chance to go to our website and click on the links to find the wealth of information that is available, take some time today to do so and become familiar with this valuable website. Feedback is always welcome!



Acceptable ID for Completing IRS Gaming Forms

Are your casino employees familiar with the types of identification that are acceptable for completing the following forms:

- Form W-2G, Certain Gambling Winnings
- Form 1099-MISC, Miscellaneous Income
- Form 1042-S, Foreign Person's U.S. Source Income Subject to Withholding
- FinCEN Form 102, Suspicious Activity Report by Casinos and Card Clubs
- FinCEN Form 103, Currency Transaction Report by Casinos

If not, they need to become familiar with them to avoid potential penalties associated with incomplete or inaccurate identification input on any of the forms listed above. The Casino is required to verify the identification (ID) of customers when completing these forms.

For purposes of the Bank Secrecy Act (Title 31), identification requirements can be found in the Code of Federal Regulations 31.103.28. The regulation states in part, "Before concluding any transaction with respect to which a report is required, . . . a financial institution shall verify and record the name and address of the individual presenting a transaction, as well as record the identity, account number, and the social security or taxpayer identification number. Verification of the identity . . . shall be made by the examination of a document . . . that is normally acceptable within the banking community as a means of identification when cashing checks for non-depositors."

What forms of valid ID can a casino employee rely upon? Valid ID is considered to be any form of government issued identification. Examples of official government issued ID can include but are not limited to:

- Current driver's license—must NOT be expired
- State issued identification card
- Tribal issued identification card with a picture
- Passport
- Alien registration card
- Military identification

In lieu of a social security card, a Form W-9, *Request for Taxpayer Identification Number and Certification*, may be accepted by the casino. The customer completes the Form W-9 and attests that the name and social security number (SSN) they have provided is correct.

What if someone refuses to provide ID? If the patron provides their name and address but refuses to provide a SSN, you should inform them that their winnings are subject to backup withholding.

Informing your patrons and making sure that your employees understand acceptable identification requirements, will help increase your compliance. If you have any questions about identification, check in publication 3908 or contact your ITG Specialist.

Employee Tip Income Program Questions

ITG has a full-time Tip Coordinator to assist you with any questions about tip reporting agreements. If you are interested in securing a Tip Agreement, have questions concerning your existing agreement, or have received a notice about tip reporting responsibilities that is unclear, please contact Suzanne Perry at (602) 207-8254.



Meet IRS Payroll Recordkeeping Requirements to Avoid Penalties

After finishing your year-end payroll processes, it's a good time to think about cleaning up your files. Which records can you destroy, and which must you keep? The Internal Revenue Code requires all employers that withhold and pay federal income, social security, and Medicare taxes to maintain certain records for each employee. Failing to meet these recordkeeping requirements can mean big penalties should you be unable to provide the required information when requested by IRS.

The following is a list of records that employers must keep for at least four years after the due date of the employee's personal income tax return (generally, April 15th) for the year in which the payment was made:

- The Employer Identification Number (EIN)
- Employee name, address, occupation, and social security number
- Total amount and dates of each payment of compensation and any amount withheld for taxes or otherwise. This should include reported tips and the fair market value of non-cash payments
- Amount of compensation subject to withholding for federal income, social security, and Medicare taxes, and the amount withheld for each tax
- Pay period covered by each compensation payment
- The reason(s) why the total compensation and the taxable amount for each tax are different, if that is the case
- Employee's Form W-4, *Employee's Withholding Allowance Certificate*
- Beginning and ending dates of the employee's employment
- Statements provided by the employee reporting tips received
- Information regarding wage continuation payments made to the employee by an employer or third party under an accident or health plan, including the beginning and ending dates of the period of absence from work and the amount and weekly rate of each payment (including payments made by third parties), as well as copies of the employee's Form W-4S, *Request for Federal Income Tax Withholding From Sick Pay*
- Fringe benefits provided to the employee and any required substantiation
- Requests from an employee to use the cumulative method of wage withholding
- Adjustments or settlements of taxes
- Copies of returns filed (on paper or by magnetic media), including forms 941, 943, 944, W-3, Copy A of Form W-2, and any Forms W-2 sent to employees but returned as undeliverable
- Amounts and dates of tax deposits

Want to Avoid Penalties?

Are you incurring penalties? Do you want to eliminate penalties in the future?
ITG has a "Helpful Hints to Avoid Penalties" job aid that can assist you.
It's available by ordering our "Tax Tools for Tribes" CD-Rom via e-mail
at ITG.TaxTools@irs.gov.



Tax News For You!

Individual Tribal Member Information

Advance Earned Income Tax Credit

Get next year's refund in this week's paycheck! Did you get a big refund? Could you use more money with every paycheck? Now may be a good time to consider if you qualify for the Advance Earned Income Tax Credit.

The Earned Income Tax Credit is a refundable credit for certain qualified workers. It is intended to help offset some of the increases in living expenses and social security taxes many working families face. When you file your income tax return, this credit (if you qualify for it) reduces the amount of tax owed, if any, and may result in a refund to you as well.

The advance EITC allows workers who expect to qualify for the Earned Income Tax Credit (EITC) and have at least one qualifying child to receive part of the credit in each paycheck during the year they qualify for the credit. The credit is sometimes called the AEITC. Eligible employees can receive part of their earned income credit for the current year in their paychecks throughout the year instead of waiting until they file their tax return to receive the entire credit at once. To be eligible for this Advance EIC payment, you must meet specific requirements.

You can choose to get part of the credit in your paycheck, if

1. you are working for an employer (you are not self-employed);
2. you expect your adjusted gross income (AGI) and earned income to fall within the income limits for the year;
3. you expect to have at least one qualifying child; and
4. you expect to qualify for the EITC.

To see if you qualify for Advance EITC payments complete the five questions on the back of Form W-5, *Earned Income Credit Advance Payment Certificate*, available on the IRS website (www.irs.gov) or through your employer. If you qualify, complete the bottom part of the Form W-5 and give it to your employer. Then, based on your income, your employer will add additional money to your take-home pay in each paycheck, up to the allowable limit.

If you receive the Advance EITC, you must file a tax return. The Form W-2 provided by your employer will show the amount of the Advance EITC you received in your paycheck during the year. This amount must be reported on your tax return. You will also be able to claim any additional credit to which you may be entitled because of having more than one qualifying child, and/or because your employer can only put a portion of the expected credit in your paycheck. If you received advance payments of EITC, you must file Form 1040 or Form 1040A to report the payments. Your Form W-2, box 9, will show the amount you received.



Tax News For You!

Individual Tribal Member Information

IRS Wants Retirees and Disabled Veterans to File for Their Economic Stimulus Payments

The IRS announced a new summer campaign to reach those retirees and disabled veterans who qualify for the economic stimulus payment but have not filed to claim it. New statistics released indicate about 74 percent in this group are accounted for in the stimulus payments currently being sent, leaving about 5.2 million potential recipients remaining.

Later this summer, the IRS will send these potential recipients a special letter that explains stimulus payment eligibility and how to claim it. The letter will include a sample tax form and an actual tax form that people can complete and mail to the IRS. This will be the second special mailing to reach those individuals.

The Economic Stimulus Act of 2008 provides for people who have no tax liability or no tax filing requirement, there is a minimum payment of \$300 (\$600 for married couples), plus the \$300 for each qualifying child. To be eligible for the minimum payment, individuals must have at least \$3,000 in qualifying income. Qualifying income includes any combination of earned income, nontaxable combat pay and certain benefit payments from Social Security, Veterans Affairs and Railroad Retirement. The types of Social Security benefits that are considered qualifying income include retirement, disability and survivor payments. Supplemental Security Income (SSI) is not qualifying income. The types of Veterans Affairs benefits that are considered qualifying income include disability compensation, disability pension and survivor payments. Qualifying Railroad Retirement payments include the social security equivalent portion of Tier 1 benefits.

Don't be left out. With qualifying income, be sure to file a tax return by October 15, 2008 to receive the economic stimulus payments. For additional information, go to www.irs.gov.



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- **Call: Customer Account Services** toll free **877-829-5500**
- **Visit: Indian Tribal Governments** Web site at **www.irs.gov/tribes**
- **Write: Internal Revenue Service**

Indian Tribal Governments SE:T:GE:ITG

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